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Report Highlights:

The Indian market for high value products continues to remain difficult to penetrate because of high tariff and non-tariff barriers. Nonetheless, the increasing size of the upwardly mobile segment of the population combined with increasing income levels are likely to result in modest growth of such imports in coming years.

Includes PSD Changes: No
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[IN]

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I. MARKET OVERVIEW



India is a country of striking contrasts and enormous ethnic, linguistic, and cultural diversity. It is roughly one-third the size of the United States with four-times its population and is comprised of 28 states and 7 Union Territories (under Federal government rule). The states differ vastly in resources, culture, food habits, living standards, and languages. Vast disparities in per capita income level between and within India's states persist. About 70 percent of the country's more than one billion people live in its 550,000 villages; the rest in 200 towns and cities. There are 27 cities with a population above one million.

India has the largest number of poor, with 433 million people surviving on less than \$1 per day. Although nearly 55 percent of Indians' consumption expenditures go for food, the spending is mostly for basic items like grains, vegetable oils, and sugar, and very little for value added food items. Religion has a major influence on eating habits, and along with low purchasing power, supports a predominantly vegetarian diet.

Some observers of India's economic scene are, however, highly optimistic about consumption growth potential. According to a recent study, rising income levels, a changing age profile (getting younger), increasing consumerism, and the availability of cheap credit is expected to push India on to a new growth trajectory. Household consumption spending is expected to double to \$510 billion in the next five years. The households in the upper middle and higher income groups are expected to almost double from 25 million to 45 million by 2007. Sixty-five million people are expected to enter the 20 to 34 age group from 2001 to 2010. These segments of the population are aware of quality differences, insist on world standards, and willing to pay a premium for quality. Nonetheless, a major share of Indian consumers has to sacrifice quality for affordable prices. Potential US exporters should also bear in mind that India's diverse agro-industrial base already offers many items at very competitive prices.

Structural reforms and stabilization programs during the 1990s have contributed to India's sustained economic growth, which has been relatively strong over the past two decades, averaging between 5.0 and 5.5 percent annually. Since 1996 the Indian government has gradually lifted import-licensing restrictions, which had effectively prohibited imports. On April 1, 2001, all remaining quantitative restrictions were removed, putting India in compliance with its WTO commitment. Nonetheless, the government continues to discourage imports with the use of high tariffs and non-tariff barriers. Import tariffs on most consumer products, although declining, are still high, ranging from 35.2 to 56.8 percent. Some sensitive items, such as alcoholic beverages, poultry meat, raisins, vegetable oils, wheat, rice, etc., attract much higher duties. Non-tariff barriers include onerous labeling requirements for pre-packaged foods and compulsory detention and laboratory testing of each and every food items, which result in increased demurrage and other costs. Other factors adversely affecting imports include a poorly developed infrastructure (transportation and cold chains), a predominantly unorganized retail sector, ambiguous food laws, and non-transparent SPS regulations. Some positive factors are:

- **Rising disposable income levels**
- **Increasing urbanization and exposure to Western culture**
- **Growing health consciousness among the middle class**
- **Growing consumerism**
- **Changing age profile**
- **Increasing availability of cheap consumer credit**

 Advantages	 Challenges
<ul style="list-style-type: none"> Improving Indo-US political relations 	<ul style="list-style-type: none"> Competition from countries with better geographic proximity
<ul style="list-style-type: none"> Large and growing middle class 	<ul style="list-style-type: none"> Divergent food habits
<ul style="list-style-type: none"> Increasing exposure to American products and lifestyle 	<ul style="list-style-type: none"> Preference for fresh products and traditional foods
<ul style="list-style-type: none"> A slow but steady transformation of the retail food sector in cities 	<ul style="list-style-type: none"> Difficulties in accessing vast untapped rural markets
<ul style="list-style-type: none"> Growing number of fast food chains 	<ul style="list-style-type: none"> Poor infrastructure
<ul style="list-style-type: none"> Increasing urbanization and growing number of working women 	<ul style="list-style-type: none"> Diverse agro-industrial base offering many products at competitive prices
<ul style="list-style-type: none"> A growing food processing industry looking for imported food ingredients 	<ul style="list-style-type: none"> High tariffs, dated food laws, and rampant corruption

II. EXPORTER BUSINESS TIPS

A. Food Preferences

India is well known for its tradition of vegetarianism. Among those who are not vegetarians, beef is generally taboo to most Hindus (82 percent of the population) and Sikhs (2 percent of the population), who consider cows sacred. Also, many Indians are vegetarians, because they cannot afford a non-vegetarian diet. As India has been at the crossroads of many peoples and cultures over centuries, some foreign elements have invariably seeped into the local culinary culture. Thus, India's culinary tradition is constantly changing. Nonetheless, Indians have a strong preference for fresh products and traditional spices and ingredients, which has generally slowed the penetration of American type foods. However, with urbanization, rising incomes, more working women, the arrival of some food multinationals, and a proliferation of fast food outlets, the acceptance of packaged and ready to eat food products is increasing, especially among the urban middle class. These products, nonetheless, are usually tailored to Indian tastes. Many Indians are quite willing to try new foods, but usually return to traditional fare. While Western foods have a reasonably good chance of succeeding in casual dining, integrating them into the main meal will be more difficult.

Demand for specialty and high value food items, including imported food items, such as chocolates, dry fruits (almonds, cashews, pistachios, etc.), cakes, pastries, exotic fruits, and fruit juices typically peaks during the fall festive season, especially at Diwali – the Festival of Lights. Hence, October – December is the best time to introduce new food products into the Indian market.

Imported food items that can be typically spotted in retail stores in cities include chocolates, biscuits, cake mixes, fruit juices, canned soups, popcorn, potato chips, canned fish and vegetables, ketchup, and ice creams.

B. Shopping Habits

Lacking home refrigeration and purchasing power, most Indians shop daily at neighborhood *kirana* shops (small retail outlets) or roadside vendors. Most consumers regard shopping as a chore, and few are familiar with any alternatives to traditional store formats. Convenience to one's home is important since daily shopping and sensitivity to food freshness is an integral part of shopping habits. Indians buy fruits and vegetables in one shop, dairy products in another, groceries in a third, and meats and fish in yet another. Quality is important, but there is a reluctance to pay a price premium. Trust in the retailer, especially with regard to quality of food and replacement of defective goods, is important. Although added services such as home delivery are welcome, consumers are unwilling to pay a premium for this service. Women do most of the shopping and make most of the food purchase decisions. Households able to afford Western imports usually have servants who buy, clean, and prepare foods. Availability of many fresh foods, particularly fruits and vegetables, is seasonal, and people are accustomed to adjusting their diet to the season. Processed/packaged foods in great demand include ketchup and sauces, jams and jellies, table butter and *ghee* (melted butter), cooking oils, various *masalas* (spice mixes), pickles, wheat flour, noodles, snack foods (mostly Indian types), and health drinks. Most packaged food items are sold in small containers due to customers' limited purchasing power. Only in the past few years have a few Indians, mostly in cities, been exposed to supermarkets in the Western sense. Semi-urban, non-metropolitan, and rural areas have yet to feel the impact of retailing. Most people, even in cities, associate supermarkets with "expensive" rather than "cost effective".

C. Distribution Systems

Consumer goods are distributed through a multi-level distribution system. With the cost of establishing warehouses becoming prohibitive, clearing and forwarding agents (CFAs) are fast becoming the norm. Typically the CFAs transport merchandise from the factory or warehouse to "stockists" or distributors. While the CFAs do not take title to the product, they receive 2.0 to 2.5 percent margin, invoice the stockists, and receive payment on behalf of the manufacturer. The stockists have exclusive geographical territories and a sales force which calls on both the wholesalers and on large retailers in urban areas. They usually offer credit to their customers and receive margin in the range of 3 to 9 percent. The wholesalers provide the final link to those rural and smaller retailers who cannot purchase directly from the distributors. Sales to these retailers are typically in cash only and the wholesalers receive a margin of 2 to 3 percent. Margins for retailers range from 5 to 15 percent, and the total cost of the distribution network represents between 10 and 20 percent of the final retail price.

Most imported food products are transshipped through regional hubs such as Dubai and Singapore due to their liberal trade policies and efficient handling. Major importers are located in Mumbai, Kolkata, Delhi, and Goa. Although a large share of imported foods used to enter through illegal smuggling, with the recent liberalization and declining tariffs, smuggling is likely to diminish. Under-invoicing is a commonly used practice to lessen the burden of import tariffs.

D. Infrastructure

Blessed with a coastline of nearly 4,000 miles, India has 11 international and 139 minor ports. The international ports are Kandla, Mumbai, Jawaharlal Nehru, Cochin, Murmagoa, and New Mangalore on the west coast, and Chennai, Tuticorin, Vizagh, Paradeep, and Calcutta on the east coast. Container handling facilities are available at most major ports and in several major cities. India has a vast railway network connecting most major cities and towns. Refrigerated warehousing and transportation facilities are limited and costly, resulting in high storage losses in perishable food items. An inadequate and erratic electric power supply is a factor constraining cold chain development. Whereas infrastructure projects were previously reserved for the public sector, private investors are now being encouraged to participate. Telecommunications, in particular, is benefiting from privatization and strong foreign investor interest. The pace is much slower, however, for power generation, roads, and other infrastructure needs where the returns on investment take longer.

E. Finding a Business Partner

It is essential to survey existing and potential markets for products before initiating export sales to India. Market research firms in India can assist new exporters. If the aspiring US companies have products of promising sales potential in India, they can either set up a base in India or appoint a distributor or an agent. Setting up base is preferable because Indians like to see foreign companies investing in their country rather than selling from abroad. US companies should avoid the temptation to establish a relationship with an agent/distributor merely because he is the most persistent out of many. Consider the following before selecting an agent:

- ✓ Determine who their potential customers are and where in India these customers are located
- ✓ Recognize that agents with fewer principals and smaller set-ups often are more adaptable and committed than those with large infrastructure and big reputations
- ✓ There may be a conflict of interest where the potential agent handles similar product lines, as many agents do
- ✓ US firms should examine all distributor prospects, and thoroughly research the more promising ones. Check the potential agent's reputation through local industry/trade associations, potential clients, bankers, and other foreign companies/missions

Franchising is another way of introducing Western products. Companies with franchises in the food sector in India include McDonalds, KFC, Domino's Pizza, Baskin Robbins, Wimpy's, TGIF, Ruby Tuesday, and Pizza Hut. Indian companies with strong brand recognition also franchise. Direct marketing, although becoming more popular, is limited.

F. Advertising and Sales Promotion

Advertising and trade promotion are highly developed in India, and most major U.S. advertising firms choose local Indian partners, as these know India and Indians well. In addition to government-controlled television in various regional languages (Doordarshan), there are several popular national, international, and regional privately owned channels. Most urban households have televisions, and it is increasingly popular in rural areas. India also has a diverse and growing number of newspapers and glossy magazines appealing to various social, cultural, and gender groups. According to the Indian Readership Survey 2002, the urban cable and satellite penetration has touched more than half of the audience

surveyed, adversely impacting cinema viewing in theatres. A similar movement has been witnessed in rural India. Statistically, the urban and rural reach of the printed media is 32.9 percent, television 51.9 percent, cable and satellite 25.5 percent, radio 15.3 percent, cinema 7.4 percent, and Internet 0.9 percent. Although the growth of Internet has been "faster than expected" at 6.02 million people, mostly confined to metropolitan areas, the newly launched medium of FM radio, also confined to metros, has emerged as the "happening medium for advertising", according to the Readership Survey. Delhi's Annual Food Expo (AAHAR) and smaller food shows in Delhi and other cities provide opportunities for US exporters to showcase their food products to potential clients (please see GAIN Report # IN3088, which can be accessed from FAS/USDA website: <http://www.fas.usda.gov>).

G. Business Etiquette

Although Hindi is India's national language, almost all Indian officials, civil servants, and business people have an excellent command of English. Most Indian businessmen have traveled abroad and are familiar with Western culture. Indians appreciate punctuality but don't always practice it themselves. Keep your schedule flexible enough for last minute rescheduling of meetings. Business is not conducted during numerous religious holidays. Different holidays are observed throughout the many regions and states of India, and dates for the holidays change from year to year. Verify this information with the Consulates or Embassy before scheduling a visit. Indian executives prefer late morning or early afternoon appointments between 11:00 a.m. and 4:00 p.m.

Indians are famous for having longer-than-scheduled meetings, so be sure to schedule plenty of time between appointments. The climate in India can be very hot, so it is advisable to wear lightweight clothing to avoid discomfort. For business meetings, men should wear a jacket and tie (and women corresponding attire) when making official calls or attending formal occasions. Always present a business card when introducing yourself. Refer to business contacts by their surname, rather than by their given name. Use courtesy titles such as "Mr.", "Mrs.", or "Miss." Talking about your family and friends is an important part of establishing a relationship with those involved in the negotiating process. Hospitality is a key part of doing business in India; most business discussions will not even begin until "chai" (tea), coffee, or a soft drink is served and there has been some preliminary "small talk." To refuse any beverage outright will likely be perceived as an insult. While an exchange of gifts is not necessary, most businessmen appreciate token mementos, particularly if they reflect the subject under discussions. Business lunches are preferred to dinners. Try to avoid business breakfasts, especially in Mumbai. The best time of year to visit India is between October and March, so that the seasons of extreme heat and rains can be avoided. Although Delhi (the Capital) has a cool, pleasant winter (November - March), summers (April - June) are fierce with temperatures of up to 120 degrees Fahrenheit. Mumbai (the business hub) and most other major cities have a subtropical climate - hot and humid year around. Most Indian cities have good hotels and are well connected by domestic airlines.

The following websites were found to be very informative and user friendly in providing information on Indian business culture and business etiquettes. These websites are mentioned for readers' convenience; USDA does **NOT** in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained in the below sites.

http://stylusinc.com/business/india/cultural_tips.htm
<http://www.executiveplanet.com/business-etiquette/India.html>

H. Import Duties

Imports into India are subject to a high, confusing array of duties, which include: a "basic" duty, an additional duty (AD), and a special additional duty (SAD). The basic duty on most

processed food products is 30 percent. Exceptions in the agriculture/food group include mostly sensitive items such as wine, liquor, poultry meat, wheat, rice, corn, coffee, tea, vegetable oils, cigarettes and tobacco and several dairy products, which attract much higher basic duties. The AD is equal to the excise duty on similar products produced domestically (16 percent on most consumer food products) and is levied on the cumulative of assessed value + the basic duty. The calculation of AD on packaged goods is based on the Maximum Retail Price (MRP) minus the abatement notified for similar domestic goods in India, which makes the calculation more difficult. The SAD is a fixed 4 percent, and represents the incidence of local levies and taxes applicable to domestically produced goods. It is computed on the total of assessed value, basic duty, and additional duty. The total import tariff on most consumer food products ranges from 35.2 percent to 56.8 percent.

For a product attracting a 30 percent basic duty, a 16 percent AD and a 4 percent SAD, the total applied import tariff will not be 50 percent as one might think (30+16+4) but 56.832 percent [30 percent basic; 20.8 percent AD (130*16 percent); and 6.032 percent SAD (150.8*4 percent)]. The following table provides a detailed calculation of the retail pricing of imported food products in India.

Costing of Imported Processed Food Products

Costs	Rate	Mumbai	Delhi
FOB Price at US Port (New York)	\$1 per unit	\$1	
Ocean freight, insurance, etc.	5% of FOB Invoice price 1/	\$0.05	
CIF Value at Indian Port		\$1.05	
Basic Import Duty	30% of CIF value	\$0.32	
Additional Duty (AD)	10.4% of MRP # 2/	\$0.40	
Special Additional Duty (SAD)	4% of (CIF value + Basic + AD)	\$0.07	
Total Import Duty		\$0.79	
Clearing Charges	5% of CIF price 3/	\$0.05	
Domestic freight from Mumbai	3% of CIF value 4/	\$0.0	\$0.03
Landed cost		\$1.89	\$1.92
Octroi	6% in Mumbai 5/; 0% in Delhi	\$0.11	0
Importer Margin	18% on landed cost 6/	\$0.34	\$0.35
Invoice Price		\$2.34	\$2.27
Central Sales Tax	4% of the Invoice Price	\$0.09	\$0.09
Distributor Cost Price		\$2.44	\$2.36
Local sales tax	16% in Mumbai; 8% in Delhi	\$0.39	\$0.19
Distributor Margin	11% of the distributor cost 7/	\$0.27	\$0.26

Retailer Cost Price		\$3.10	\$2.81
Retailer Margin	25% of retailer cost (20% of MRP)	\$0.77	\$0.70
RETAIL PRICE		\$3.87	\$3.51

Note: Calculations based on the assumption FOB value of \$25,000 for a 20 ft container

Maximum Retail Price (MRP) of \$3.87/unit declared by importer in Mumbai

1/ Varies from 4 to 6%

2/ AD of 16% charged on 65% of the MRP declared by the importer

3/ Varies from 4 to 5%

4/ Varies from 2 to 3%

5/ Varies from 5 to 7 percent depending on the product

6/ Varies from 15 to 20%

7/ Varies from 10 to 12%

I. Food Laws

US food exporters will have to grapple with India's varied and somewhat dated food sector laws, particularly those pertaining to the use of additives and colors, labeling requirements, packaging, weights and measures, shelf-life, and phytosanitary regulations. Following the removal of quantitative restrictions in imports of food products, the GOI issued several notifications to make imported food products comply with domestic laws. Details on India's food laws are available in our "Food and Agricultural Import Regulations and Standards Country Report 2003" (IN3068), which can be accessed from FAS/USDA website:

www.fas.usda.gov

Some of the major food laws affecting food exporters are:

● **The Prevention of Food Adulteration (PFA) Act, 1954 and PFA Rules of 1955**, as amended. This is a basic statute established to protect consumers against adulterated foods, and encompasses food colors and preservatives, pesticide residues, packaging, labeling, and regulation of sales. This is somewhat similar to the Federal Food, Drug and Cosmetic Act of the United States. PFA standards and regulations apply equally to domestic and imported products. The PFA Act and Rules, and recent notifications are available at: <http://mohfw.nic.in/pfa.htm>

● **The Standards of Weights and Measures Act, 1976**, and the **Standards of Weights and Measures (Packaged Commodities) Rules, 1977**, as amended. This act established standards for weights and measures to regulate interstate trade and commerce in goods, that are sold or distributed by weight, measure, or number. The Rules formed under the Act require labeling on the nature of the commodity, the name and address of the manufacturer, quantity, date of manufacture, best before date, and maximum retail price. The Indian government has now made it mandatory for all imported packaged foods to comply with these labeling requirements. This Act and Rules and recent notifications can be accessed from: http://fcamin.nic.in/wm_ind.htm

● **The Destructive Insects and Pests Act, 1914 and Plants, Fruits, and Seeds (Regulation of Import in India) Order, 1989**. These legislative measures regulate imports of planting seeds into India.

III. MARKET SECTORS: STRUCTURE AND TENDS

A. Food Retail

Food retailing in India is not yet an organized industry, probably as a result of the sheer size of the country, its regional diversity, and the fairly limited infrastructure support. According to some experts, food and grocery retailing in India has a market size of rs. 3 trillion (\$67 billion), of which the organized retail sector has been able to capture only a fraction of a percent. India has no supermarkets or hypermarkets in the Western sense of the word. While several larger stores and specialty shops in major cities cater to the less price sensitive wealthy segments of the population, virtually all other retailers are small, independent, owner-managed grocery stops (mainly "Mom & Pop" or more accurately "Pop & Sons" stores). Most of these outlets have very basic offerings, fixed prices, no information technology, and little or no ambience.

Supermarkets are a more recent phenomenon in India. These are basically larger grocery and convenience stores located in and around major cities. These "Indian Supermarkets" are typically 3,000 to 5,000 square feet, and are self-service stores stocked with a wide range of Indian and, more recently, some imported groceries, snacks, processed food, confectionary, personal hygiene, and cosmetic products. Imported items in the supermarkets consist mainly of almonds and other dry fruits, fruit juices, ketchup, chocolates, sauces, specialty cheese, potato chips, canned fruits/vegetables, cookies, and cake mixes. These shops generally are open from 9:30 a.m. to 7:30 p.m., six days a week. They stock most national brands, regional and specialty brands, their own brand of packaged dry products, and some international brands. Many have a small bakery/confectionary section, and some have fresh produce and dairy products. Some sell small quantities of frozen foods, as cold storage availability is limited and electric power supply is erratic. A typical supermarket carries about 6,000 stock-keeping units. Most, however, have no item-based inventory control. Their margins typically range from 14 to 16 percent. These higher margins are largely due to the ability to get somewhat better prices from suppliers on bulk purchases, and the ability to generate income from selling advertising space and special in-store promotions to manufacturers. The cost structure of a supermarket is typically 3 percent for property; 3.5 percent for labor; air conditioning and lighting utilities up to 3.5 percent; interest cost of 1.5 percent; leaving 3 to 5 percent of sales as profit before tax.

There are only a few multiunit supermarket chains in India, mostly in the south. Most of the Indian supermarkets try to cater to the segment of the population that seeks wider selection, has financial means, has storage space (including refrigerators), and their own means of transport. Although the exact size of this segment is not available, roughly 15 to 20 percent of the urban population is estimated to shop in these supermarkets. The size of the segment is expected to grow. Large corporate groups are becoming interested in diversifying into retailing. However, the government recently rejected a proposal to permit foreign direct investment in the retail sector, which could have a negative impact on the growth of this sector.

The convenience stores at petrol pumps (gas stations), which sell all sorts of "impulse buys" like chocolates, soft drinks, cakes and cookies, potato chips, etc., have made some inroads in major metropolitan areas. The concepts of shopping malls and hypermarkets are beginning to take shape in India's major cities. Space and cost constraints are prompting shopping areas to move to city suburbs.

B. Food Service

The strong demand for hotel space, which occurred about five years ago, has declined in all key segments: Indian business travel, foreign business travel, and foreign tourists. According to a recent survey, however, the Indian hotel industry is getting back on the global tourist map. India has some excellent hotel chains, including Indian Hotels Ltd. (Taj Group); East India Hotels Company Ltd. (Oberoi Group); ITC Ltd. (Welcome Group); Asian Hotel; and Leela Venture. Several international chains such as Radisson, Best Western, Hilton, Marriott, Country Inn and Suites By Carlson, and Quality Inn have also established a presence through franchising. The premium segment (including 5 star deluxe and 5 star hotels) dominates the hotel business in India, and accounts for roughly 65 percent of the total revenues to the industry. Hotels in this segment are concentrated in major metropolitan cities such as New Delhi, Mumbai, Chennai, Bangalore, and Kolkatta, and also have moderate presence along major tourist circuits. Most of the business here is generated from business travelers, and most of those are international. The mid-market segment (comprising 3 and 4 star hotels) caters to a fair mix of business and leisure travelers, and is mostly concentrated in second-tier cities and in major tourist locations. The budget segment (2 star ratings or below) is present in most towns and cities and places of tourist interest.

Most premium and mid-market segment hotels source their food and beverage imports through consolidators located in Dubai, Amsterdam, Singapore, and Australia. Because of the high freight costs and small quantities involved, very little is directly procured from the United States. While leading hotels appreciate the excellent reputation of US food products, high cost is a constraint. Nevertheless, the hotel and tourism sector (which has great potential in India) provides opportunities for US exporters to position themselves in the market place.

After a slow start, the fast food industry has registered impressive growth in recent years. Most US chains, such as McDonald's, Dominos, and Pizza Hut, along with local chains, are doing a brisk business in the major urban areas and are spreading into smaller cities. To "curry" favor with Indian diners, pizza, burger, and other fast food makers have developed a range of Indianized products to suit local tastes. Some outlets serve exclusively vegetarian food, catering to the country's large vegetarian population. Although fast food chains source most of their raw materials locally, several products such as french fries, specialty cheeses, some meat and fishery products, flavors, condiments, and ingredients are often imported. In the past few years, the "coffee shop" culture has spread throughout major cities and seems poised for further growth, which should provide an opportunity for US companies to supply products such as syrups, specialty coffees, etc.

C. Food Processing

Only about two percent of India's agricultural output is further processed. These value-added food products, however, amount to \$22.2 billion in sales and account for one-third of the value of the food sector. Although the quality tends to be mediocre, domestic production is the primary source of competition for foreign suppliers.

With investment reforms, including deregulation of the food processing industry in the early 1990s, the processed food sector initially attracted foreign direct investment. Several multinational companies such as PepsiCo, Cargill, Coca-Cola, Kellogg's, ConAgra's, and Pillsbury have established operations in India, in addition to the fast food chains previously mentioned and ice cream companies. Existing Indian and foreign companies such as Hindustan Lever, Nestle, Cadbury's, Britannia, Dabur, Amul, National Dairy Development Board, and Godrej have expanded their operations. Despite initial enthusiasm, the foreign investment the Indian food-processing sector has waned. The Indian government is in the

process of formulating a “processed food development policy” to spur growth in the food processing sector. This policy seeks to create an appropriate environment for entrepreneurs to set up food processing operations. For details contact the Department of Food Processing Industry website: <http://mofpi.nic.in>

IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Product Category	Market Size 2002	Imports 2001/02	Avg. Annual Import Growth	Import Tariff Rate	Key Constraints	Market Attractiveness for USA
Apples	1.3 mmt	\$million 11.6	10%	56%	Competition from domestic and key established suppliers like Australia	Seasonal shortages and high prices; increasing interest in quality fruits among India's elite
Grapes	1.1 mmt	0.3	5%	35.2%		
Pears	neg.	0.6	5%	35.2%		
Chocolate	n.a	5.0	10%	56.8	Competition from other suppliers and domestic suppliers	Import liberalization and consumer preference for imported products
Biscuits	1.2 mmt	2.7	10%	30%		
Almonds	25 tmt	56.5	5%	Rs.35/kg+ 4%	Competition from Iran and Afghanistan	High seasonal demand; increasing use; health consciousness
Pistachios	6 tmt	21.1	5%	35.2%		
Prunes	neg.	0.2	10%	30%		
Fruit juices	n.a.	9.2	10%	30% – 35.2%	Competition from nearby suppliers and domestic production	Increasing health awareness among middle class and shortage of quality products locally
Cheeses	n.a.	1.2	10%	35.2 % - 45.6%	Competition from New Zealand and Australia	Growth in pizza and fast food chains
Wine	n.a.	1.6	10%	150% - 264%	High import duty; competition from other suppliers	Growing consumption, poor quality domestic products
Sauces, spreads,	n.a.	0.6	15%	35.2%	Competition from	Increasing popularity;

salad dressings, condiments					domestic suppliers	growing food processing sector, fast food sector
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V. KEY CONTACTS AND FURTHER INFORMATION

The following reports may be of interest to US exporters interested in India. These, and related reports prepared by this office, can be accessed via the FAS Home Page: www.fas.usda.gov by clicking on "Attache Reports" and searching by the report number.

Report Number	Subject
IN3088	India: Promotional Opportunities, Annual
IN3068	Food & Agricultural Import Regulations and Standards Report
IN2075	India: Retail Food Sector
IN1065	Shopping for Pulses

The Country Commercial Guide prepared by the Commercial Section of the US Embassy, New Delhi will be of interest to exporters. This can be accessed through <http://www.usatrade.gov/website/ccg.nsf>

For additional information and guidance please contact:

Agricultural Counselor
Foreign Agricultural Service
Embassy of the United States of America
Chanakyapuri
New Delhi – 110 021
Phone: 91-11-24198342
Fax: 91-11-24198530
E-mail: agnewdelhi@usda.gov

APPENDIX I: STATISTICS**Table A: Key Trade & Demographic Information**

Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%) 1/	3,351 (7)
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%) 1/	564 (21)
Edible Fishery Imports from All Countries (\$Mil)/U.S. Share (%) 1/	7 (7)
Total Population (Millions)/Annual Growth Rate (%) 2/	1,027 (1.93)
Urban Population (Million)/ Annual Growth Rate (%) 3/	285 (2.7)
Number of Major Metropolitan Areas 3/	35
Size of Middle Class (Millions)/Growth Rate (%) 4/	130 (3)
Per Capita Gross Domestic Product (U.S. \$)	440
Per Capita Food Expenditure (U.S. \$) 5/	94
Exchange Rate (US\$1 = Rupees)	45.5
Unemployment Rate (%)	NA
Percent of Female Population Employed	23

1/ UN Trade Database for the year 2000

2/ Census India 2001

3/ Population in excess of 1 million: Greater Mumbai, Kolkata, Delhi, Chennai, Bangalore, Ahmedabad, Hyderabad, Pune, Kanpur, Surat, Jaipur, Lucknow, Nagpur, Indore, Bhopal, Ludhiana, Patna, Varanasi, Thane, Agra, Kalyan, Varanasi, Nashik, Meerut, Faridabad, Haora, Pimpri-Chinchwad.

4/ People living in households with annual income of US\$ 1,275 or above (1994 NCAER Data)

5/ 1988/89 Consumer Expenditure Survey Data

TABLE B: Consumer Food & Edible Fishery Product Imports

India Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
CONSUMER-ORIENTED AGRICULTURAL TOTAL	561	601	564	99	83	120	18	14	21
Snack Foods (Excl. Nuts)	7	9	9	1	1	1	2	2	3
Breakfast Cereals & Pancake Mix	4	2	5	4	2	5	89	82	94
Red Meats, Fresh/Chilled/Frozen	1	1	1	0	0	0	0	0	0
Red Meats, Prepared/Preserved	1	1	1	0	0	1	0	0	6
Poultry Meat	1	1	1	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	10	42	11	1	1	1	1	1	2
Cheese	1	1	1	1	1	1	2	1	1
Eggs & Products	1	1	1	1	1	1	4	15	18
Fresh Fruit	57	51	50	0	1	1	0	1	2
Fresh Vegetables	4	6	3	1	1	1	0	0	6
Processed Fruit & Vegetables	18	17	15	1	1	1	3	5	4
Fruit & Vegetable Juices	2	6	7	1	1	1	0	8	0
Tree Nuts	319	351	330	46	38	63	14	11	19
Wine & Beer	2	3	3	1	1	1	2	3	5
Nursery Products & Cut Flowers	2	1	1	1	1	1	6	32	8
Pet Foods (Dog & Cat Food)	1	1	1	1	1	1	9	3	29
Other Consumer-Oriented Products	135	112	129	49	41	49	36	36	38
FISH & SEAFOOD PRODUCTS	15	8	7	1	1	1	0	1	7
Salmon	1	1	1	0	0	0	0	0	0
Surimi	0	0	1	0	0	0	0	0	0
Crustaceans	1	1	1	0	1	0	0	26	0
Groundfish & Flatfish	1	1	1	0	1	0	0	3	0
Molluscs	1	1	1	0	0	1	0	0	85
Other Fishery Products	14	7	5	1	0	1	0	0	0
AGRICULTURAL PRODUCTS TOTAL	3729	3881	2845	212	229	215	6	6	8
AGRICULTURAL, FISH & FORESTRY TOTAL	4127	4349	3351	214	233	219	5	5	7

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TABLE C: Top 15 Suppliers of Consumer Food & Edible Fishery Products

CONSUMER-ORIENTED AGRICULTURAL TOTAL(\$1000)				FISH & SEAFOOD PRODUCTS (\$1000)			
	1998	1999	2000		1998	1999	2000
United States	99,159	82,945	119,573	Bangladesh	14,394	6,894	5,325
Guinea-Bissau	18,816	36,075	60,186	Burma	230	610	634
Cote d'Ivoire	19,074	37,531	42,333	United States	12	117	502
Tanzania, United Republic of	111,624	98,668	39,988	Singapore	0	9	156
Iran	53,954	39,768	31,985	South Africa	0	0	42
Indonesia	43,608	31,863	29,794	Iran	0	0	37
Pakistan	22,249	21,450	26,965	Thailand	2	4	37
Afghanistan	24,077	19,178	24,910	Indonesia	104	96	33
Benin	9,373	22,807	23,508	United Kingdom	0	0	23
Nepal	8,935	11,495	17,960	Germany	0	1	22
Mozambique	24,796	25,005	14,423	Australia	4	8	20
Sri Lanka	15,692	14,285	11,021	New Zealand	0	1	15
Netherlands	5,825	12,534	8,281	Japan	0	0	12
Nigeria	6,184	11,536	7,900	Korea, Republic of	0	0	11
Australia	8,508	11,754	7,785	Netherlands	7	16	9
Other	89,316	123,900	97,309	Other	47	98	18
World	561,213	600,827	563,968	World	14,801	7,851	6,901

Source: United Nations Statistics Division